

Fairfax's Affordable-Housing Foreclosure Problem Worsens

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A growing number of cost-controlled homes in Fairfax County that had been set aside as affordable housing are facing foreclosure, county officials said Monday, prompting supervisors to examine how to halt the loss of the in-demand units.

The homes, mostly town houses, are part of the county's "affordable dwelling unit" program in which developers set aside a certain number of properties for low- and middle-income families at below-market rate, in exchange for permission to build larger developments.

Three dozen of the houses are in foreclosure, according to Fairfax County Department of Housing and Community Development spokeswoman Kristina Norvell, a sharp increase from when *The Examiner* reported on the problem in May.

Two county supervisors on Monday proposed asking the General Assembly for authority that would allow the county to buy back the foreclosed houses at a below-market rate.

Most of the 36 units in foreclosure had been "overfinanced," Norvell said. That means homeowners -- ignoring county rules -- took out risky additional loans based on what the homes would fetch at market rate, instead of the artificially low amount, called the "control price."

County housing officials worried the practice put the owners at greater risk for foreclosure, because the house could not be sold for more than the control price, but still have inflated loans on them.

And once the lender takes control of the dwellings, officials worry that in the ensuing confusion, the properties will lose their low-cost status and revert to market rate, thus weakening the county's stock of affordable homes.

Two supervisors, citing a "steady increase in foreclosures" on the units, proposed asking the legislature for a measure that would require lenders to let the county buy back the foreclosed homes at the lower control price, instead of market rate. The lender or insurance company, Supervisor Jeff McKay said, "would have to eat the [difference]."

"It shouldn't be the county taxpayer's responsibility to pay somebody else's debt," McKay said.

Supervisor Cathy Hudgins, who joined McKay in the proposal, said the board should seek to buy one of the units "any time it's at risk of going to market rate."